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**PRELIMINARY DRAFT  
No. 3082**

**PREPARED BY  
LEGISLATIVE SERVICES AGENCY  
2008 GENERAL ASSEMBLY**

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**DIGEST**

**Citations Affected:** IC 5-10.2; IC 5-10.4.

**Synopsis:** Teachers' retirement fund 2008 account. Discussion draft. Establishes a new account in the Indiana state teachers' retirement fund to allow the pension portion of a retiree's benefit to be computed using a statewide average teacher's salary.

**Effective:** July 1, 2008.



A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 5-10.2-1-4.7 IS ADDED TO THE INDIANA  
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
3 [EFFECTIVE JULY 1, 2008]: **Sec. 4.7. As used in this article, "2008**  
4 **account" refers to the 2008 account established within the Indiana**  
5 **state teachers' retirement fund under IC 5-10.4-2-2.**

6       SECTION 2. IC 5-10.2-2-2 IS AMENDED TO READ AS  
7 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 2. (a) The board of the  
8 public employees' retirement fund shall maintain the following separate  
9 accounts:

10           (1) The annuity savings account.

11           (2) The retirement allowance account.

12       (b) The board of the Indiana state teachers' retirement fund shall  
13 maintain the following ~~two (2)~~ **three (3)** separate accounts:

14           (1) The pre-1996 account.

15           (2) The 1996 account.

16           **(3) The 2008 account.**

17       (c) Within each account specified in subsection (b), the board of the  
18 Indiana state teachers' retirement fund shall maintain the following  
19 separate subaccounts:

20           (1) The annuity savings account.

21           (2) The retirement allowance account.

22       SECTION 3. IC 5-10.2-2-3, AS AMENDED BY P.L.2-2006,  
23 SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
24 JULY 1, 2008]: Sec. 3. (a) The annuity savings account consists of:

25           (1) the members' contributions; and

26           (2) the interest credits on these contributions in the guaranteed  
27 fund or the gain or loss in market value on these contributions in  
28 the alternative investment program, as specified in section 4 of  
29 this chapter.

30       Each member shall be credited individually with the amount of the  
31 member's contributions and interest credits.



(b) Each board shall maintain the annuity savings account program in effect on December 31, 1995 (referred to in this chapter as the guaranteed program). In addition, the board of the Indiana state teachers' retirement fund shall establish and maintain a guaranteed program within the 1996 account **and the 2008 account**. Each board may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary of the annuity savings account, subject to the limitations and restrictions set forth in IC 5-10.3-5-3 and IC 5-10.4-3-10.

(c) Each board shall establish alternative investment programs within the annuity savings account of the public employees' retirement fund, the pre-1996 account, ~~and~~ the 1996 account, **and the 2008 account** based on the following requirements:

(1) Each board shall maintain at least one (1) alternative investment program that is an indexed stock fund and one (1) alternative investment program that is a bond fund.

(2) The programs should represent a variety of investment objectives under IC 5-10.3-5-3.

(3) No program may permit a member to withdraw money from the member's account except as provided in IC 5-10.2-3 and IC 5-10.2-4.

(4) All administrative costs of each alternative program shall be paid from the earnings on that program or as may be determined by the rules of each board.

(5) A valuation of each member's account must be completed as of:

(A) the last day of each quarter; or

(B) another time as each board may specify by rule.

(d) The board must prepare, at least annually, an analysis of the guaranteed program and each alternative investment program. This analysis must:

(1) include a description of the procedure for selecting an alternative investment program;

(2) be understandable by the majority of members; and

(3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund and any available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection under rules established by each board. A board shall allow a member to make a selection or change any existing selection at least once each quarter.

(2) The board shall implement the member's selection beginning the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the board or an



1 alternate date established by the rules of each board. This date is  
2 the effective date of the member's selection.

3 (3) A member may select any combination of the guaranteed fund  
4 or any available alternative investment funds, in ten percent  
5 (10%) increments or smaller increments that may be established  
6 by the rules of each board.

7 (4) A member's selection remains in effect until a new selection  
8 is made.

9 (5) On the effective date of a member's selection, the board shall  
10 reallocate the member's existing balance or balances in  
11 accordance with the member's direction, based on:

12 (A) for an alternative investment program balance, the market  
13 value on the effective date; and

14 (B) for any guaranteed program balance, the account balance  
15 on the effective date.

16 All contributions to the member's account shall be allocated as of  
17 the last day of that quarter or at an alternate time established by  
18 the rules of each board in accordance with the member's most  
19 recent effective direction. The board shall not reallocate the  
20 member's account at any other time.

21 (f) When a member who participates in an alternative investment  
22 program transfers the amount credited to the member from one (1)  
23 alternative investment program to another alternative investment  
24 program or to the guaranteed program, the amount credited to the  
25 member shall be valued at the market value of the member's  
26 investment, as of the day before the effective date of the member's  
27 selection or at an alternate time established by the rules of each board.  
28 When a member who participates in an alternative investment program  
29 retires, becomes disabled, dies, or suspends membership and withdraws  
30 from the fund, the amount credited to the member shall be the market  
31 value of the member's investment as of the last day of the quarter  
32 preceding the member's distribution or annuitization at retirement,  
33 disability, death, or suspension and withdrawal, plus contributions  
34 received after that date or at an alternate time established by the rules  
35 of each board.

36 (g) When a member who participates in the guaranteed program  
37 transfers the amount credited to the member to an alternative  
38 investment program, the amount credited to the member in the  
39 guaranteed program is computed without regard to market value and is  
40 based on the balance of the member's account in the guaranteed  
41 program as of the last day of the quarter preceding the effective date of  
42 the transfer. However, each board may by rule provide for an alternate  
43 valuation date. When a member who participates in the guaranteed  
44 program retires, becomes disabled, dies, or suspends membership and  
45 withdraws from the fund, the amount credited to the member shall be  
46 computed without regard to market value and is based on the balance



of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date. However, each board may by rule provide for an alternate valuation date.

SECTION 4. IC 5-10.2-2-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6. (a) The retirement allowance account of the public employees' retirement fund consists of the retirement fund, exclusive of the annuity savings account. For the public employees' retirement fund, separate accounts within the retirement allowance account shall be maintained for contributions made by the state and by each political subdivision.

(b) The retirement allowance account of the pre-1996 account consists of the pre-1996 account, exclusive of the annuity savings account.

(c) The retirement allowance account of the 1996 account consists of the 1996 account, exclusive of the annuity savings account. For the 1996 account, separate accounts within the retirement allowance account shall be maintained for contributions made by the state, by each school corporation, and by each institution.

**(d) The retirement allowance account of the 2008 account consists of the 2008 account, exclusive of the annuity savings account. For the 2008 account, separate accounts within the retirement allowance account shall be maintained for contributions made by the state, by each school corporation, and by each institution.**

SECTION 5. IC 5-10.2-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 7. (a) When a member retires or dies in service under conditions which entitle a beneficiary or spouse to survivor benefits and if the member or survivor chooses to receive an annuity from the fund, the annuity savings account shall be charged with the amount credited to him in the account. This amount shall be credited to the retirement allowance account, and the annuity shall be paid from this account.

(b) When:

(1) a member of the public employees' retirement fund who is an employee of a participating political subdivision; or

(2) a member of the Indiana state teachers' retirement fund who:

**(A) is covered by the 1996 account or the 2008 account; and**

**(B) is an employee of a school corporation or other institution;**

retires or dies in service under conditions which entitle a beneficiary or spouse to survivor benefits, the political subdivision's, school corporation's, or other institution's account in the retirement allowance account shall be charged with an amount equal to the actuarial reserve of the member's retirement pension or the survivor benefit. The amount



charged shall be credited to the retirement allowance account, and the retirement pension or survivor benefit shall be paid from this account.

SECTION 6. IC 5-10.2-2-9, AS AMENDED BY P.L.246-2005, SECTION 48, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 9. (a) The funds may employ a common actuary or actuarial service.

(b) **This subsection does not apply to the 2008 account.** At least once in every five (5) years and in every year in which this article is amended so that benefits are changed, the actuary shall make a separate actuarial investigation for each fund and for the 1996 account of the mortality, service, and compensation experience of the members and their beneficiaries and shall make a valuation of the assets and liabilities of the fund or account, using the "entry-age normal cost" method.

(c) **This subsection applies to the 2008 account. At least once in every five (5) years and every year in which this article is amended so that benefits are changed, the actuary shall make an actuarial investigation for the 2008 account of the mortality, service, and compensation experience of the members and their beneficiaries using a statewide average teacher's salary determined under section 9.5 of this chapter by the board of trustees of the Indiana state teachers' retirement fund. The actuary shall also make a valuation of the assets and liabilities of the 2008 account, using an actuarially appropriate method.**

~~(c)~~ (d) **An actuarial investigation under subsection (b) or (c)** must include in the determination of the liability and the rates of contribution the amount necessary to fully fund past and estimated future cost of living increases for members of the public employees' retirement fund amortized over thirty (30) years. The actuary shall consult with the budget agency in making this determination.

SECTION 7. IC 5-10.2-2-9.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 9.5. (a) **This section applies to the 2008 account.**

(b) **The employer's contribution rate for the 2008 account shall be based on a statewide average teacher's salary determined annually by the board of trustees of the Indiana state teachers' retirement fund. To determine an employer's contribution rate, the board shall multiply the statewide average teacher's salary times the number of 2008 account members employed by the school corporation or other institution.**

SECTION 8. IC 5-10.2-2-11, AS AMENDED BY P.L.72-2007, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 11. (a) Based on the actuarial investigation and valuation in section 9 of this chapter, each board shall determine:

(1) the normal contribution for the employer, which is the amount



necessary to fund the pension portion of the retirement benefit;  
 (2) the rate of normal contribution;  
 (3) the unfunded accrued liability of the public employees' retirement fund, the pre-1996 account, ~~and~~ the 1996 account, **and the 2008 account**, which is the excess of total accrued liability over the fund's or account's total assets, respectively; and  
 (4) the rates of contribution for the state expressed as a proportion of compensation of members, which would be necessary to:

(A) amortize the unfunded accrued liability of the state for thirty (30) years or for a shorter time period requested by the budget agency or the governor; and

(B) prevent the state's unfunded accrued liability from increasing.

(b) Based on the information in subsection (a) each board may determine, in its sole discretion, contributions and contribution rates for individual employers or for a group of employers.

(c) The board's determinations under subsection (a):

(1) are subject to section 1.5 of this chapter; and

(2) for an employer making a contribution to the Indiana state teachers' retirement fund, may not include an amount for a retired member of the Indiana state teachers' retirement fund for whom the employer may not make contributions during the member's period of reemployment as provided under IC 5-10.2-4-8(e).

SECTION 9. IC 5-10.2-2-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 12. (a) The general assembly shall appropriate biennially for each fund covered by this article that satisfies the conditions of section 1.5 of this chapter the sum of the following:

(1) the state's normal contribution for its employees to the public employees' retirement fund, the pre-1996 account, ~~and~~ the 1996 account, **and the 2008 account**, as determined in section 11 of this chapter;

(2) at least the anticipated increase in the state's unfunded accrued liability in each fund, other than the pre-1996 account, as estimated by each board under the procedures specified in section 11 of this chapter; and

(3) the state's obligation as estimated by each board for disability benefits and benefits payable under retirement fund laws in effect before April 1, 1955.

The request for this sum for each fund shall be submitted to the budget agency as one (1) item for each fund. Each board shall submit to the agency its actuarial investigation and valuation and any other actuarial information to support the request.

(b) The biennial appropriation specified in subsection (a) of this section shall be paid annually to each fund covered by this article that satisfies the conditions of section 1.5 of this chapter in equal



installments in July of each year of the biennium.

(c) The biennial appropriation under this section shall be deposited in the trust of each fund and used only as provided in section 1.5 of this chapter.

SECTION 10. IC 5-10.2-4-1.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 1.5. (a) A fund may calculate and pay an estimated retirement benefit of the pension portion to a member if:

(1) the member has applied for a retirement benefit and has chosen a retirement date on which the retirement benefit is to begin;

(2) the member's membership records are incomplete or have not been certified; and

(3) the member's membership records that have been submitted to the fund establish that the member is entitled to a retirement benefit.

(b) A fund may calculate an estimated benefit under this section based on eighty-five percent (85%) of the pension portion of the benefit determined under the fund's records on service and, **for members of the public employees' retirement fund, the pre-1996 account, or the 1996 account**, compensation information.

(c) If an estimated benefit is paid to a member under this section, the fund shall, after all membership records have been submitted to the fund and certified, determine the actual retirement benefit to which the member is entitled. After determining the actual retirement benefit to which the member is entitled, the fund shall temporarily adjust the actual retirement benefit that is paid to the member to reconcile any underpayment or overpayment of benefits to the member that resulted from the payment of estimated benefits. The fund may make the temporary adjustment to the member's actual retirement benefit over a reasonable time, as determined by the board.

SECTION 11. IC 5-10.2-4-3, AS AMENDED BY P.L.2-2007, SECTION 93, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3. (a) Except as provided in subsection (f), in computing the retirement benefit for a nonteacher member, "average of the annual compensation" means the average annual compensation calculated using the twenty (20) calendar quarters of service in a position covered by the retirement fund before retirement in which the member's annual compensation was the highest. However, in order for a quarter to be included in the twenty (20) calendar quarters, the nonteacher member must have performed service throughout the calendar quarter. All twenty (20) calendar quarters do not have to be continuous but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups.

(b) This subsection does not apply to:





- 1           **(1) a teacher member of the pre-1996 account or the 1996**  
 2           **account** described in subsection (c); **or**  
 3           **(2) a teacher member of the 2008 account.**

4           In computing the retirement benefit for a teacher member, "average of  
 5           the annual compensation" means the average annual compensation for  
 6           the five (5) years of service before retirement in which the member's  
 7           annual compensation was highest. In order for a year to be included in  
 8           the five (5) years, the teacher member must have received for the year  
 9           credit under IC 5-10.4-4-2 for at least one-half (1/2) year of service.  
 10          The five (5) years do not have to be continuous.

11          (c) This subsection applies to a member **of the pre-1996 account**  
 12          **or the 1996 account** of the Indiana state teachers' retirement fund who  
 13          serves in an elected position for which the member takes an unpaid  
 14          leave of absence. In computing the retirement benefit for a teacher  
 15          member described in this subsection for years of service to which  
 16          IC 5-10.4-5-7 does not apply, "average of the annual compensation"  
 17          means the annual compensation for the one (1) year of service before  
 18          retirement in which the member's annual compensation was highest. In  
 19          order for a year to be used, the teacher member must have received for  
 20          the year credit under IC 5-10.4-4-2 for at least one-half (1/2) year of  
 21          service.

22          (d) Subject to IC 5-10.2-2-1.5, "annual compensation" means:

23           (1) the basic salary earned by and paid to the member **of the**  
 24           **public employees' retirement fund, the pre-1996 account, or**  
 25           **the 1996 account**, plus the amount that would have been part of  
 26           that salary but for:

27           (A) the state's, a school corporation's, a participating political  
 28           subdivision's, or a state educational institution's paying the  
 29           member's contribution to the fund for the member; or

30           (B) the member's salary reduction agreement established under  
 31           Section 125, 403(b), or 457 of the Internal Revenue Code; and

32           (2) in the case of a member described in subsection (c) and for  
 33           years of service to which IC 5-10.4-5-7 does not apply, the basic  
 34           salary that was not paid during the year but would have been paid  
 35           to the member during the year under the member's employment  
 36           contracts, if the member had not taken any unpaid leave of  
 37           absence to serve in an elected position.

38          The portion of a back pay award or a similar award that the board  
 39          determines is compensation under an agreement or under a judicial or  
 40          an administrative proceeding shall be allocated by the board among the  
 41          years the member earned or should have earned the compensation.  
 42          Only that portion of the award allocated to the year the award is made  
 43          is considered to have been earned during the year the award was made.  
 44          Interest on an award is not considered annual compensation for any  
 45          year.

46          (e) **This section does not apply to a member of the 2008 account.**



1 Compensation of not more than two thousand dollars (\$2,000) received  
 2 from the employer in contemplation of the member's retirement,  
 3 including severance pay, termination pay, retirement bonus, or  
 4 commutation of unused sick leave or personal leave, may be included  
 5 in the total annual compensation from which the average of the annual  
 6 compensation is determined, if it is received:

7 (1) before the member ceases service; or

8 (2) within twelve (12) months after the member ceases service.

9 (f) This subsection applies to a member of the general assembly:

10 (1) who is a participant in the legislators' retirement system  
 11 established under IC 2-3.5;

12 (2) who is also a member of the public employees' retirement fund  
 13 or **the pre-1996 account or the 1996 account of the Indiana state**  
 14 **teachers' retirement fund;** and

15 (3) whose years of service in the general assembly may not be  
 16 considered in determining the average of the annual  
 17 compensation under this section, as provided in  
 18 IC 2-3.5-1-2(b)(2) or IC 2-3.5-3-1(c).

19 The board shall use the board's actuarial salary increase assumption to  
 20 project the salary for any previous year needed to determine the  
 21 average of the annual compensation.

22 **(g) This subsection applies to a member of the 2008 account. In**  
 23 **computing the retirement benefit for a teacher member, the**  
 24 **average of the annual compensation means the statewide average**  
 25 **teacher's salary for the year in which the teacher member**  
 26 **separated from service as determined by the board of trustees of**  
 27 **the Indiana state teachers' retirement fund.**

28 SECTION 12. IC 5-10.2-4-3.1 IS AMENDED TO READ AS  
 29 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3.1. **(a) For a member**  
 30 **of the public employees' retirement fund, the pre-1996 account, or**  
 31 **the 1996 account** who receives annual compensation from two (2) or  
 32 more employers, the average of the annual compensation shall be  
 33 computed using the sum of the two (2) or more annual compensations  
 34 if:

35 (1) each of the employers and the member made all of the  
 36 contributions required by IC 5-10.2; and

37 (2) the member occupied at least one (1) position that normally  
 38 required performance of service of more than six hundred (600)  
 39 hours during the year.

40 **(b) For a member of the 2008 account who receives annual**  
 41 **compensation for service as a teacher from two (2) or more**  
 42 **employers, the average of the annual compensation is the statewide**  
 43 **average teacher's salary for the year if:**

44 (1) each of the employers and the member made all of the  
 45 contributions required by IC 5-10.2; and

46 (2) the member occupied at least one (1) position that



normally required performance of service of more than six hundred (600) hours during the year.

(c) For a member of the 2008 account who receives annual compensation for teacher and nonteacher service from two (2) or more employers, the average of the annual compensation means the sum of the statewide average teacher's salary for the year plus the member's nonteacher annual compensation if:

(1) each of the employers and the member made all of the contributions required by IC 5-10.2; and

(2) the member occupied at least one (1) position that normally required performance of service of more than six hundred (600) hours during the year.

SECTION 13. IC 5-10.2-4-8.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 8.2. (a) Notwithstanding section 8 of this chapter, if a member who is receiving retirement benefits is elected or appointed to an elected position covered by this article, the member shall file a written, irrevocable election with the board to continue or discontinue retirement benefits while the member holds the elected position.

(b) If a member:

(1) is elected or appointed to an elected position and:

(A) becomes at least fifty-five (55) years of age; and

(B) completes at least twenty (20) years of service; or

(2) is serving in any other position covered by this article and:

(A) becomes at least seventy (70) years of age; and

(B) completes at least twenty (20) years of service;

while holding the position, the member may file a written, irrevocable election to begin receiving, while holding the position, retirement benefits to which the member would be entitled by age and service. A member who does not make the irrevocable election while holding the position is entitled to retroactive payments to cover any period from the date the member qualifies to make the election under this subsection to the date the member files the election under this subsection.

(c) The form and content of an election shall be prescribed by the board. If the member elects to discontinue receiving retirement benefits, the member shall make contributions as required in IC 5-10.2-3-2. If the member elects to continue or begin receiving benefits:

(1) the member may continue to make contributions under IC 5-10.2-3-2 but is not required to do so; and

(2) the member waives the accrual of service credit and the right to any supplemental benefit from service in the position, except to the extent that the value of the accrual of additional service credit and any supplemental benefit exceeds the actuarial value of the benefits received under this chapter and that were continued or begun pursuant to an election under this section.



(d) Except to the extent of the liability for any additional benefit accrued under subsection (c)(2), the employer shall make the employer's contribution only for past service liability based on:

(1) the salary for the position of a member, **for a member of the public employees' retirement fund, the pre-1996 account, or the 1996 account; or**

(2) **the statewide average teacher's salary for the year in which the service liability was incurred, for a member of the 2008 account;**

who elects under subsection (a) or (b) to continue or begin receiving retirement benefits.

(e) Section 10 of this chapter applies to a member who elects under subsection (a) to discontinue receiving retirement benefits. Section 10 of this chapter does not apply, while the member holds a position covered by this article, to a member who elects under subsection (a) or (b) to continue or begin receiving retirement benefits.

SECTION 14. IC 5-10.2-4-10, AS AMENDED BY P.L.72-2007, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 10. (a) This section does not apply after June 30, 2007, to a member of the Indiana state teachers' retirement fund who is reemployed more than ninety (90) days after the member's retirement in a position covered by the Indiana state teachers' retirement fund.

(b) Benefits provided under this section are subject to IC 5-10.2-2-1.5.

(c) Upon termination of reemployment, except by death, the retirement benefits from before the member's reemployment which are payable after termination shall be paid without change.

(d) If the member is reemployed for fewer than ninety (90) consecutive school or working days, upon termination of reemployment, contributions and interest credited to the member's annuity savings account shall be paid to the member.

(e) If the member is reemployed for ninety (90) or more consecutive school or working days, upon termination of reemployment, the member shall receive an additional benefit.

(f) The additional retirement benefit consists of the sum of a supplemental pension and a supplemental annuity. The supplemental pension is computed under section 4 of this chapter using: ~~the member's~~

(1) **the member's** years of service during the member's reemployment; and

(2) ~~average compensation during the member's reemployment if the member is reemployed:~~

(A) ~~for less than five (5) years: or~~

**(i) the average compensation during the member's reemployment, for a member of the public employees' retirement fund, the pre-1996 account, or the 1996**



1                   **account; or**

2                   **(ii) the statewide average teacher's salary for the year in**  
 3                   **which the member's reemployment ended, for a member**  
 4                   **of the 2008 account; or**

5                   **(B) for five (5) or more years,** average of the annual  
 6                   compensation (as defined in section 3 of this chapter) during  
 7                   the member's reemployment.

8                   If the member is entitled to a supplemental annuity, it consists of an  
 9                   annuity provided by contributions and interest credited to the member  
 10                  during reemployment, if any.

11                  (g) The additional retirement benefits are guaranteed for five (5)  
 12                  years or until the member's death, whichever is later. The member may  
 13                  choose instead of the guaranteed payments any of the options under  
 14                  section 7 of this chapter for the payment of the member's additional  
 15                  retirement benefits.

16                  (h) IC 5-10.2-2-7 applies to additional retirement benefits.

17                  SECTION 15. IC 5-10.4-1-3.5 IS ADDED TO THE INDIANA  
 18                  CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
 19                  [EFFECTIVE JULY 1, 2008]: **Sec. 3.5. "2008 account" refers to the**  
 20                  **2008 account established within the fund under IC 5-10.4-2-2.**

21                  SECTION 16. IC 5-10.4-2-2, AS ADDED BY P.L.2-2006,  
 22                  SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 23                  JULY 1, 2008]: Sec. 2. (a) The board shall segregate the fund into the  
 24                  following accounts:

25                   (1) The pre-1996 account.

26                   (2) The 1996 account.

27                   **(3) The 2008 account.**

28                  (b) The board shall segregate each of the accounts established under  
 29                  subsection (a) into the following subaccounts:

30                   (1) The annuity savings account.

31                   (2) The retirement allowance account.

32                  (c) Except as provided in subsection (d) **or (g)**, member  
 33                  contributions shall be credited to the annuity savings account within  
 34                  the pre-1996 account.

35                  (d) Member contributions made after June 30, 1995, with respect to  
 36                  the following members shall be credited to the annuity savings account  
 37                  within the 1996 account:

38                   (1) An individual who first became a member of the fund after  
 39                   June 30, 1995, **but before July 1, 2008.**

40                   (2) A member who:

41                    (A) before July 1, 1995, served in a position covered by the  
 42                    fund; and

43                    (B) after June 30, 1995, and before July 1, 2005, was hired by  
 44                    another school corporation or institution covered by the fund  
 45                    or rehired by a prior employer.

46                   (3) A member described in subdivision (2) who, after June 30,



2005, is hired by another school corporation or institution covered by the fund or rehired by a prior employer.

(e) Member contributions made to the pre-1996 account with respect to a member covered by subsection (d) shall be transferred to the annuity savings account within the 1996 account.

(f) Employer contributions made after June 30, 1995, with respect to members described in subsection (d) shall be credited to the retirement allowance account within the 1996 account. **Except as provided in subsection (h),** employer contributions made after June 30, 1995, with respect to all other members shall be credited to the retirement allowance account within the pre-1996 account.

**(g) Member contributions for an individual who first became a member of the fund after June 30, 2008, shall be credited to the annuity savings account within the 2008 account.**

**(h) Employer contributions made after June 30, 2008, for an individual who first became a member of the fund after June 30, 2008, shall be credited to the retirement allowance account within the 2008 account.**

~~(g)~~ (i) The board shall administer these accounts and subaccounts as specified in IC 5-10.2-2.

SECTION 17. IC 5-10.4-2-4, AS ADDED BY P.L.2-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 4. (a) The general assembly shall appropriate an amount from the state general fund that is sufficient to cover the state's actuarial liability for each member covered by the pre-1996 account and for each state employee covered by the 1996 account **or the 2008 account**. The board may reduce this liability by the amount of interest earned on the deposits in the fund. This liability is determined by the actuarial investigation required by IC 5-10.2-2-9.

(b) The actuarial investigation and the board shall include in the determination of the liability, contribution rate, and appropriation the amount necessary to fully fund any past and estimated future cost of living increases for members of the pre-1996 account, ~~and~~ the 1996 account, **and the 2008 account**, amortized over thirty (30) years. The actuary shall consult with the budget agency in making this determination.

(c) The board shall:

(1) prepare its budget based on this investigation and for other specified expenditures; and

(2) submit the budget to the governor or to another officer or committee authorized by law to recommend the necessary appropriation.

(d) Each school corporation shall contribute to the 1996 account **and the 2008 account** as specified in IC 5-10.4-7.

(e) If members receive compensation from federal funds, the board shall determine the employer's contribution, excluding administrative



1 expenses, at the end of each fiscal year, to be paid from federal funds.  
 2 The amount shall be determined by a method adopted by the board that  
 3 results in an equitable sharing of the employer contribution by the  
 4 federal government on account of members receiving compensation  
 5 from federal funds.

6 SECTION 18. IC 5-10.4-2-6, AS ADDED BY P.L.2-2006,  
 7 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 8 JULY 1, 2008]: Sec. 6. (a) The board shall do the following:

9 (1) Credit interest to the members' annuity savings accounts in the  
 10 guaranteed fund and actual earnings to the alternative investment  
 11 programs.

12 (2) After complying with subdivision (1), distribute an amount up  
 13 to the interest credit rate, not to exceed any remaining earnings,  
 14 to the reserve accounts.

15 (3) After complying with subdivisions (1) and (2), distribute any  
 16 remaining undistributed income reserve as of the end of each  
 17 fiscal year on a pro rata basis, based on fiscal year beginning  
 18 balances, to all reserve accounts in the pre-1996 account,  
 19 including the pension stabilization fund, ~~and~~ in the 1996 account,  
 20 **and in the 2008 account.**

21 (b) Income may not be distributed under subsection (a)(2) or (a)(3)  
 22 to the following:

23 (1) Members' annuity savings accounts in the guaranteed fund or  
 24 the alternative investment program.

25 (2) The annuity reserve for benefits-in-force.

26 SECTION 19. IC 5-10.4-4-12, AS ADDED BY P.L.2-2006,  
 27 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 28 JULY 1, 2008]: Sec. 12. (a) The fund may accept cash rollover  
 29 contributions from a member who is making payments for additional  
 30 service credits under this chapter if the following conditions are met:

31 (1) The rollover contribution must represent:

32 (A) all or a part of the member's interest in a retirement plan  
 33 of a former employer that is qualified under Section 401(a) of  
 34 the Internal Revenue Code and that permits the interest to be  
 35 transferred to the fund as a qualifying rollover contribution  
 36 under the Internal Revenue Code;

37 (B) all or a part of the member's interest from an individual  
 38 retirement account or annuity described in Section 408(a) or  
 39 Section 408(b) of the Internal Revenue Code;

40 (C) all or a part of the member's interest in:

41 (i) a qualified plan described in Section 403(a) of the  
 42 Internal Revenue Code; or

43 (ii) an annuity contract or account described in Section  
 44 403(b) of the Internal Revenue Code; or

45 (D) all or a part of the member's interest in an eligible plan that  
 46 is maintained by a state, a political subdivision of a state, or an



- 1 agency or instrumentality of a state or political subdivision of  
 2 a state under Section 457(b) of the Internal Revenue Code.
- 3 (2) The amount of the rollover contributions may not exceed the  
 4 amount of payment required to purchase the service credits under  
 5 this chapter.
- 6 (3) The rollover contributions may contain only tax deferred  
 7 contributions and earnings on the contributions and may not  
 8 include any posttax contributions.
- 9 (4) The member must be otherwise eligible to purchase the  
 10 service credit under this chapter.
- 11 (b) To the extent permitted by the Internal Revenue Code and the  
 12 applicable regulations, the fund may accept, on behalf of a member  
 13 who is purchasing permissive service credit under this chapter, a  
 14 trustee to trustee transfer from:
- 15 (1) an annuity contract or account described in Section 403(b) of  
 16 the Internal Revenue Code; or
- 17 (2) an eligible deferred compensation plan under Section 457(b)  
 18 of the Internal Revenue Code.
- 19 (c) The fund, the board, and their respective members, officers, and  
 20 employees do not have any responsibility or liability with respect to the  
 21 federal and state income tax consequences of any transfer made to the  
 22 fund under this section. The board may require, as a condition to the  
 23 fund's acceptance of a rollover contribution:
- 24 (1) satisfactory evidence that the proposed transfer is a qualifying  
 25 rollover contribution under the Internal Revenue Code; and
- 26 (2) reasonable releases or indemnifications from the member  
 27 against any liabilities that may be connected with the transfer.
- 28 (d) Cash transferred to the fund as a rollover contribution shall be  
 29 deposited in the retirement allowance account in the pre-1996 account,  
 30 ~~or~~ the 1996 account, **or the 2008 account**, whichever is appropriate.
- 31 (e) A member who terminates employment before satisfying the  
 32 eligibility requirements necessary for a pension or disability benefit  
 33 may withdraw the member's rollover contribution, plus accumulated  
 34 interest, after submitting a properly completed application for a refund  
 35 to the fund. However, the member must also apply for a refund of the  
 36 member's entire annuity savings account under IC 5-10.2-3 to be  
 37 eligible for a refund of the member's rollover amount.
- 38 (f) Except as provided in this section, the fund shall not accept any  
 39 other rollover contributions from a member.
- 40 (g) The board shall administer this section in accordance with the  
 41 rollover provisions of the Internal Revenue Code and any applicable  
 42 regulations.
- 43 SECTION 20. IC 5-10.4-5-7, AS ADDED BY P.L.2-2006,  
 44 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 45 JULY 1, 2008]: Sec. 7. (a) As used in this section, "member-legislator"  
 46 means a member who has at least:





(1) twenty (20) years of service credit as a teacher; and

(2) ten (10) years of service in the general assembly.

(b) Notwithstanding IC 5-10.2-4-3 or IC 5-10.2-4-3.1, in computing the pension for a member-legislator **who is a member of the pre-1996 account or the 1996 account**, the average of the annual compensation is the sum of the salaries in any one (1) year for a member-legislator's:

(1) position covered by the fund; and

(2) service in the general assembly.

(c) **Notwithstanding IC 5-10.2-4-3 or IC 5-10.4-4-3.1, in computing the pension for a member-legislator who is a member of the 2008 account, the average of the annual compensation is the sum of the following in any one (1) year:**

**(1) the statewide average teacher's salary for the member-legislator's position covered by the fund; and**

**(2) the salary for the member-legislator's service in the general assembly.**

SECTION 21. IC 5-10.4-7-7, AS AMENDED BY P.L.72-2007, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 7. (a) Not later than January 15, April 15, July 15, and October 15 of each year, the treasurer of a school corporation, the township trustee, or the appropriate officer of any other institution covered by the fund shall make a report to the board on a form furnished by the board and within the time set by the board. Amendatory reports to correct errors or omissions may be required and made.

(b) The report required by subsection (a) must include:

(1) the name of each member employed in the preceding reporting period, except substitute teachers;

(2) the total salary and other compensation paid for personal services to each member in the reporting period;

(3) the sum of contributions **for the annuity savings account** made for or by each member, except for a retired member who may not make contributions during a period of reemployment as provided under IC 5-10.2-4-8(e);

(4) the sum of employer contributions **for each member of the pre-1996 account and the 1996 account** made by the school corporation or other institution, except for a retired member for whom or on whose behalf an employer may not make contributions during a period of reemployment as provided under IC 5-10.2-4-8(e);

**(5) the amount of the employer contributions based on the statewide average teacher's salary made for members of the 2008 account by the school corporation or other institution, except for a retired member for whom or on whose behalf an employer may not make contributions during a period of reemployment as provided under IC 5-10.2-4-8(e);**



1           ~~(5)~~ **(6)** the number of days each member received salary or other  
 2           compensation for teaching services; and  
 3           ~~(6)~~ **(7)** any other information that the board determines necessary  
 4           for the effective management of the fund.

5           (c) As often as the board determines necessary, the board may  
 6           review or cause to be reviewed the pertinent records of any public  
 7           entity contributing to the fund under this article.

8           SECTION 22. IC 5-10.4-7-10, AS ADDED BY P.L.2-2006,  
 9           SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 10          JULY 1, 2008]: Sec. 10. The board shall maintain separate accounts  
 11          within the 1996 account **and the 2008 account** for each school  
 12          corporation. Credits and charges to these accounts must be made as  
 13          prescribed in IC 5-10.2-2.

14          SECTION 23. IC 5-10.4-7-11, AS ADDED BY P.L.2-2006,  
 15          SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 16          JULY 1, 2008]: Sec. 11. (a) Annually the board shall certify to each  
 17          school corporation and each school corporation shall pay its employer  
 18          contribution rate to the fund, computed as specified in IC 5-10.2-2 for  
 19          the employer contribution for teachers covered by:

- 20           (1) the 1996 account, including the school corporation's share of
- 21           administration expenses for the 1996 account; **and**
- 22           **(2) the 2008 account, including the school corporations' share**
- 23           **of administration expenses for the 2008 account.**

24          (b) The board shall determine the amount of unfunded accrued  
 25          liability of the school corporations. The board shall determine the  
 26          unfunded accrued liability by individual employers or by a group of  
 27          employers. The school corporations shall pay the amount in a lump  
 28          sum or amortize the amount over a period determined by the board.

29          (c) The payments by school corporations for the amounts described  
 30          in subsections (a), (b), and (d) are allocated to the school corporations  
 31          and not to the state.

32          (d) If a school corporation's account shows a deficit, the board may  
 33          require the school corporation to make additional payments necessary  
 34          to eliminate the deficit in addition to the employer contributions  
 35          computed under subsections (a) and (b).

